

ADMINISTRATIVE - INTERNAL USE ONLY

This Notice Expires 1 May 1983

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FINANCIAL ADMINISTRATION

20 October 1982

PROVISIONS OF THE PROMPT PAYMENT ACT

1. On 19 May 1982, the President signed the Prompt Payment Act (P.L. 97-177) into law. This act requires that Federal agencies make timely payments to vendors doing business with the Government and applies to payments made under contracts with business concerns on or after 1 October 1982.

2. The act requires: (a) that payments be made when due, as specified in the contract, or, if not specified, 30 days after receipt of a proper invoice; (b) that agencies pay interest penalties to business concerns on overdue payments and on discounts taken after the discount period has expired; (c) that agencies notify business concerns of any defect or impropriety in the invoice within 15 days of receipt; (d) that agencies take discounts only when payments are made within the discount period; and (e) that agencies annually submit to the Office of Management and Budget (OMB) a detailed report on interest penalties paid. The provisions of OMB Circular A-125, Prompt Payment, set forth those specific policies and procedures required to comply with the act.

3. This act has significant financial importance and its successful administration by the Agency requires the concerted cooperation of all components. Timely notice is required from the requesting official to initiate either the acknowledgment of receipt for redeliverable items or a receiving report for direct delivery items, or when the signature of an approving officer is needed to verify receipt of goods or services for which an invoice was presented for payment. Further, the timely issuance of contract inspection reports by the responsible contracting officer's technical representative is necessary to guarantee the propriety of payments made.

4. Failure to give such timely notice creates circumstances in which the Office of Finance would be: (a) unable to advise the business concern within 15 days that the goods or services, represented by an invoice, were not received; (b) unable to effect payment in time to accept a prompt payment discount; or (c) required to pay an interest penalty if the payment could not be effected until it was overdue. The applicable rate of an interest penalty is 15.5 percent through 31 December 1982 and will be adjusted thereafter by the Secretary of the Treasury.

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5. The penalty of required interest payments will be passed to the individual components. Therefore, effective cooperation in the administration of the act by all concerned will enable the Agency to minimize the payment of such penalties.

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Harry E. Fitzwater  
Deputy Director  
for  
Administration

DISTRIBUTION: ALL EMPLOYEES (1-6)

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